

State of Alaska FY2007 Governor's Operating Budget

Department of Revenue Permanent Fund Dividend Division Component Budget Summary

Component: Permanent Fund Dividend Division

Contribution to Department's Mission

The mission of the Permanent Fund Dividend Division is to administer the Permanent Fund Dividend Program.

Core Services

- Administration of the annual application process
- Investigation and prosecution of PFD fraud; collection of dividend payments made to ineligible applicants
- Administration of the appeals process for denied applicants
- Garnishee dividends as appropriate
- Provide information from the PFD data base

End Results	Strategies to Achieve Results
A: All eligible Alaskans, whose applications are not on appeal, receive their Permanent Fund Dividend in October. <u>Target #1:</u> 100% of eligible applicants not in appeal are paid in October. <u>Measure #1:</u> Percentage of eligible applicants not in appeal who are paid in October.	A1: Provide staff with needed training to perform effectively. <u>Target #1:</u> 100% of new staff receive standardized training within first three months. <u>Measure #1:</u> Percentage of new staff that receive standardized training within first three months. A2: Maximize use of staff across unit lines throughout the cycle. <u>Target #1:</u> 100% of staff are cross-trained to work in at least one other unit. <u>Measure #1:</u> Percentage of staff trained to work in at least one other unit. A3: Increase use by the public of online filing and applicant support services. <u>Target #1:</u> 50% of applications are filed on-line by 2006. <u>Measure #1:</u> Percentage of applicants that use on-line filing.
End Results	Strategies to Achieve Results
B: Processing cost per application is reduced or maintained. <u>Target #1:</u> Maintain cost of processing at or below FY2004 cost per application. <u>Measure #1:</u> Cost per application.	B1: Reduce manual linking of supplemental documents. <u>Target #1:</u> 50% of supplemental documents are electronically linked by the 2006 dividend cycle. <u>Measure #1:</u> Percentage of documents that are electronically linked.
End Results	Strategies to Achieve Results
C: Applicants who fraudulently file dividend applications are identified and prosecuted.	C1: Increase audit actions to identify fraudulently filed applications.

<p><u>Target #1:</u> Increase identification and prosecution of fraud by 100%.</p> <p><u>Measure #1:</u> Number of cases identified and prosecuted.</p>	<p><u>Target #1:</u> Implement one new special audit every year.</p> <p><u>Measure #1:</u> New audits initiated.</p> <p><u>Target #2:</u> Investigate all fraud tips received by September 1 prior to payment of current dividend.</p> <p><u>Measure #2:</u> Percentage of fraud tips received by September 1 that are investigated prior to payment of current dividend.</p>
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Major Activities to Advance Strategies

<ul style="list-style-type: none"> • Prepare incoming mail for imaging • Image applications and supplemental information • Enter information into Dividend Application Information System (DAIS) • Request additional information when needed • Manually edit selected applications • Review selected applications • Respond to appeals • Maintain essential computer support systems • Standardize Information Office training • Provide training to new staff • Develop equipment plan • Cross train staff to work in more than one functional area • Allocate staff across unit lines to address peak workload 	<ul style="list-style-type: none"> • Market on-line and myAlaska filing through media • Expand myAlaska to all applicants • Expand functionality of on-line applicant status inquiry • Implement Optical Character Recognition • Move mainframe applications to distributed servers • Explore consolidation of imaging work with other agencies • Acquire IRS database for 2005 • Obtain access to FBI databases, NCIS and NLETS • Prosecute identified fraud under civil or criminal provisions of law • Develop good website information on fraud investigation activity • Publicize prosecuted criminal activity • Redesign the myAlaska/PFD on-line application process to be more user friendly.
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FY2007 Resources Allocated to Achieve Results

FY2007 Component Budget: \$6,491,500	Personnel:	
	Full time	70
	Part time	20
	Total	90

Performance Measure Detail

A: Result - All eligible Alaskans, whose applications are not on appeal, receive their Permanent Fund Dividend in October.

Target #1: 100% of eligible applicants not in appeal are paid in October.

Measure #1: Percentage of eligible applicants not in appeal who are paid in October.

Eligible Applicants Paid in October

Year	Percentage
2002	93.6%
2003	93.7%
2004	94.0%
2005	96.0%
2006	Target: 98%

Analysis of results and challenges: The target for 2005 was 95%; PFD exceeded that target. Additional increases in on-line filing, increased use of automation in processing, cross-utilization of staff, and implementation of the new Dividend Application Information System (DAIS II) should result in a further increase in 2006.

A1: Strategy - Provide staff with needed training to perform effectively.

Target #1: 100% of new staff receive standardized training within first three months.

Measure #1: Percentage of new staff that receive standardized training within first three months.

Standardized Training of Staff Within First Three Months

Year	% of Staff
2004	50%
2005	100%
2006	Target: 100%

Analysis of results and challenges: Standardized training was developed and implemented between December 2003 and January 2004. This training is proving to be effective for all staff and is updated with each session taught. All new employees were given this training in 2005.

A2: Strategy - Maximize use of staff across unit lines throughout the cycle.

Target #1: 100% of staff are cross-trained to work in at least one other unit.

Measure #1: Percentage of staff trained to work in at least one other unit.

Staff Trained to Work in Other Units

Year	% of Staff
2004	75%
2005	100%
2006	Target: 100%

Analysis of results and challenges: All staff are cross-trained by the time they complete their probationary period.

A3: Strategy - Increase use by the public of online filing and applicant support services.

Target #1: 50% of applications are filed on-line by 2006.

Measure #1: Percentage of applicants that use on-line filing.

Applicants Using On-line Filing

Year	% of Applicants
2002	14.0%
2003	24.9%
2004	25.2%
2005	34.0%
2006	Target: 50.0%

Analysis of results and challenges: PFD missed the 2005 target of 40% by 6%. However, the number of applicants applying online increased by more than 53,000.

B: Result - Processing cost per application is reduced or maintained.

Target #1: Maintain cost of processing at or below FY2004 cost per application.

Measure #1: Cost per application.

Cost per Application

Year	Cost
2003	\$9.55
2004	\$9.18
2005	\$9.02
2006	Target: \$9.00

Analysis of results and challenges: Cost savings achieved through on-line filing, imaging, equipment upgrades and electronic linking should at least offset the increase in the costs of personal services, support services and increased number of applicants.

B1: Strategy - Reduce manual linking of supplemental documents.

Target #1: 50% of supplemental documents are electronically linked by the 2006 dividend cycle.

Measure #1: Percentage of documents that are electronically linked.

Analysis of results and challenges: All forms have been re-designed to be linked electronically. Computer applications have been re-written to utilize optical character recognition (OCR). Implementation will occur when the new Dividend Application Information System (DAIS II) is implemented about November 15, 2005. PFD is on-target to reduce the number of supplemental documents by 50% in 2006.

C: Result - Applicants who fraudulently file dividend applications are identified and prosecuted.

Target #1: Increase identification and prosecution of fraud by 100%.

Measure #1: Number of cases identified and prosecuted.

Fraud Cases Identified and Prosecuted

Year	# of Cases
2004	1,236
2005	1,700
2006	Target: 2,000
2006	0

Analysis of results and challenges: This target will only measure our success up to a point. At some point, and the division is not there yet, however effective the program the numbers will not substantially increase.

C1: Strategy - Increase audit actions to identify fraudulently filed applications.

Target #1: Implement one new special audit every year.

Measure #1: New audits initiated.

New Audits Initiated

Year	# New Audits
2004	2
2005	2
2006	Target: 2

Analysis of results and challenges: Two new special audits were done in 2005: seasonal cannery employees, and a small audit of applicants who file online from out of state but claim to be in Alaska. The online applicant audit will be expanded in 2006 and a new audit will be developed of applicants who receive direct deposit and receive their bank statements out of state.

Target #2: Investigate all fraud tips received by September 1 prior to payment of current dividend.

Measure #2: Percentage of fraud tips received by September 1 that are investigated prior to payment of current dividend.

Fraud Tips Investigated Prior to Payment of Current Dividend

Year	Percentage
2004	95%
2005	100%
2006	Target: 100%

Analysis of results and challenges: All fraud tips received by September 1 were investigated prior to payment; however some complex cases could not be resolved before the October payment of dividends.

Key Component Challenges

- Adjusting staff resources in an environment of great change. The division has cross trained all staff to perform work outside their own unit. As a result of on-line application, implementation of Optical Character Recognition, and other processing changes the division had to rethink the old stove-pipe organizational structure. Managers now meet weekly to allocate staff across the functions PFD performs based on workload, rather than on which unit employees are assigned. The 2006 environment is expected to be just as dynamic.
- Recruiting and retaining information systems employees in a competitive environment. The division continues to experience high annual turnover of information systems staff within PFD and within those units of Enterprise Technology Services (ETS) that support PFD as they leave for higher paying jobs in the private sector.

Significant Changes in Results to be Delivered in FY2007

- Increase in alleged fraud cases investigated and prosecuted
- Project significant staff productivity increases related to implementation of new computer programming, online filing, and regulation changes

Major Component Accomplishments in 2005

- Increased efforts in fraud investigations resulted in two federal convictions and two indictments for PFD fraud cases. The division doubled the number of cases audited, and the number of denials and assessments increased from \$1.4 million to \$1.6 million despite decreased value of PFDs denied and assessed.
- Implemented the Dividend Application Information System (DAIS) II, Phase I of an entire re-write of application information and processing systems which will increase staff productivity and reduce computer processing costs.
- With DAIS II implemented, Optical Character Recognition can be used for most PFD generated forms; will eliminate many staff hours of manual linking of documents.
- Implemented regulation changes to facilitate more efficient processing of applications for both PFD and the

public.

- Worked in partnership with ETS to substantially improve the myAlaska and PFD online application process; received positive response from users; increased online filing from 25.3% to 33.6%.

Statutory and Regulatory Authority

AS 43.23 Permanent Fund Dividends
15 AAC 23 Alaska Permanent Fund Dividends

Contact Information

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**Permanent Fund Dividend Division
Component Financial Summary**

All dollars shown in thousands

	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	3,699.4	4,347.4	4,629.3
72000 Travel	46.2	25.5	25.5
73000 Services	1,672.1	1,570.8	1,772.5
74000 Commodities	107.8	64.2	64.2
75000 Capital Outlay	45.6	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	5,571.1	6,007.9	6,491.5
Funding Sources:			
1004 General Fund Receipts	0.0	0.0	0.0
1007 Inter-Agency Receipts	20.0	20.0	20.0
1050 Permanent Fund Dividend Fund	5,551.1	5,987.9	6,471.5
Funding Totals	5,571.1	6,007.9	6,491.5

Estimated Revenue Collections

Description	Master Revenue Account	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
<u>Unrestricted Revenues</u>				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
<u>Restricted Revenues</u>				
Interagency Receipts	51015	20.0	20.0	20.0
Restricted Total		20.0	20.0	20.0
Total Estimated Revenues		20.0	20.0	20.0

**Summary of Component Budget Changes
From FY2006 Management Plan to FY2007 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2006 Management Plan	0.0	0.0	6,007.9	6,007.9
Adjustments which will continue current level of service:				
-Transfer DOA chargeback funding to components affected by rate increases	55.0	0.0	0.0	55.0
-Change DOA chargeback funding to correct funding source	-55.0	0.0	55.0	0.0
-FY 07 Wage Increases for Bargaining Units and Non-Covered Employees	0.0	0.0	76.7	76.7
-FY 07 Health Insurance Cost Increases for Bargaining Units and Non-Covered Employees	0.0	0.0	12.9	12.9
-FY 07 Retirement Systems Cost Increase	0.0	0.0	146.2	146.2
-FY2007 Wage, Health Insurance, Retirement, and Risk Management Increases for Division of Personnel	0.0	0.0	6.8	6.8
Proposed budget increases:				
-Restore PFD funding for hearing officer services	0.0	0.0	119.8	119.8
-Rent increase for state-owned facilities	0.0	0.0	56.4	56.4
-Risk Management Self-Insurance Funding Increase	0.0	0.0	9.8	9.8
FY2007 Governor	0.0	0.0	6,491.5	6,491.5

**Permanent Fund Dividend Division
Personal Services Information**

Authorized Positions		Personal Services Costs	
<u>FY2006</u>		<u>FY2007</u>	
<u>Management</u>	<u>Plan</u>	<u>Governor</u>	
Full-time	69	70	Annual Salaries
Part-time	23	20	COLA
Nonpermanent	0	0	Premium Pay
			Annual Benefits
			Less 6.98% Vacancy Factor
			Lump Sum Premium Pay
Totals	92	90	Total Personal Services
			3,041,479
			82,111
			20,150
			1,833,176
			(347,616)
			0
			4,629,300

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Tech I	0	0	2	0	2
Administrative Clerk II	0	0	22	0	22
Administrative Clerk III	7	1	12	0	20
Administrative Manager I	0	0	1	0	1
Administrative Supervisor	0	0	1	0	1
Analyst/Programmer II	1	0	1	0	2
Analyst/Programmer III	1	0	2	0	3
Analyst/Programmer IV	0	0	1	0	1
Analyst/Programmer V	0	0	2	0	2
Chf Perm Fund Div Oper	0	0	1	0	1
Data Processing Mgr II	0	0	1	0	1
Division Director	0	0	1	0	1
Investigator II	0	0	1	0	1
Investigator III	0	0	1	0	1
Microfilm Equip Op II	0	0	1	0	1
PFD Specialist I	0	0	3	0	3
PFD Specialist II	0	0	4	0	4
PFD Technician I	1	0	12	0	13
PFD Technician II	0	1	7	0	8
PFD Unit Supervisor	1	0	1	0	2
Totals	11	2	77	0	90